

National Takaful Company, Watania
Management Discussion and Analysis
For the period ended 30 June 2016

We are pleased to present the following financial analysis to Watania stakeholders for the period ended 30 June 2016.

Takaful Operations

Gross Contribution Written:

The gross contribution written during the period ended 30 June 2016 was AED 107.1 million compared to AED 165.6 million for the same period of 2015. This was 35% less than the business for corresponding period 2015. The reason for the reduction was pruning of loss making accounts in Motor and Medical insurance portfolio.

Net Underwriting Results:

The Company reduced its net loss from Takaful operations by 45% for the period ended 30 June 2016, from AED 14.2 million in 2015 to AED 7.9 million in 2016. The Net Loss Ratio has come down from 87% to 68% and Combined Operating Ratio has reduced from 133% to 120%. Improving our loss ratios with the objective of making our operations profitable is work in progress, which involves re-pricing our products, focused underwriting through better selection of risks and attention to risk management and loss control.

Financial Results

General and Administrative expenses:

The company's expenses for half year ended of 2016 remained at AED 15.29 million as compared to AED 18.09 million in the same period last year showing management's effort towards cost containment. We have further strengthened doubtful debts provision during the 2nd quarter of 2016.

Net Investment Income:

Net investment income for the period ended 30 June 2016 was AED 5.63 million compared to AED 3.82 million in the same period last year. The investment performance for this period was mainly constituted by fixed income and through sale of equity portfolio. The Company is also benefiting from the consistent return earned from the investment properties portfolio.

Net Results:

Watania made a net loss of AED 1.56 million during the first half year of 2016 compared to a loss of AED 13.96 million for the same period in 2015.

Balance Sheet

Total assets as at 30 June 2016 stands at AED 334.89 million against AED 356.52 million as at 31 December 2015.

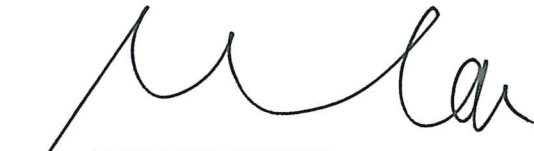
Takaful contract liabilities at the end of 30 June 2016 stood at AED 183.16 million as against AED 182.83 million at 31 December 2015. The company maintains adequate technical reserves to meet policyholder obligations.

Shareholders equity position stands at AED 77.22 million as at 30 June 2016 as against AED 80.02 million as at 31 December 2015.

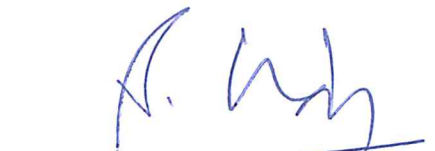
Basic and diluted loss per share for the current period ended 30 June 2016 stood at AED 0.01 against a loss of AED 0.09 per share in the same period last year.

Outlook

Our H1 2016 financial results validates the new business initiative that has been rolled out post the restructuring of the company in Q1 to improve the overall performance of the Company. We will continue to focus on our 'Back to Basics' strategy that involves enhancing customer service, increasing productivity and lowering operational cost and diversifying distribution. We are confident that with the guidance and support of the Board the Company will demonstrate significant improvement in the financial performance during the remainder part of year 2016.



Hammad Khan
Chief Financial Officer



Gautam Datta
Chief Executive Officer

